

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
INDIANA MICHIGAN POWER COMPANY)	
for approval of a power supply cost recovery plan)	Case No. U-18144
and factors (2017).)	
_____)	

At the April 13, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 30, 2016, Indiana Michigan Power Company (I&M) filed an application, with supporting testimony and exhibits, requesting approval of its power supply cost recovery (PSCR) plan and factors for the 12-month period ending December 31, 2017.

A prehearing conference was held November 30, 2016, before Administrative Law Judge Mark D. Eyster (ALJ). I&M and the Commission Staff participated in the proceedings. The ALJ granted intervenor status to the Association of Businesses Advocating Tariff Equity. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree to a maximum monthly PSCR factor of 10.50 mills per kilowatt-hour, as calculated in Attachment A and incorporated in the tariff sheet in Attachment B, for the billing months of January 2017 through December 2017. The PSCR factor calculated in Attachment A and incorporated in the

tariff sheet in Attachment B includes roll-in adjustments for the non-reconciled 2016 PSCR underrecovery of \$9,242,535, using the roll-in method approved in Case No. U-15004.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Indiana Michigan Power Company is authorized to implement a power supply cost recovery factor of up to 10.50 mills per kilowatt-hour for the 12-month billing period ending December 31, 2017.
- C. Within 30 days of the date of this order, Indiana Michigan Power Company shall file tariff sheets substantially similar to those attached to the settlement agreement.
- D. Should Indiana Michigan Power Company desire to apply a lesser power supply cost recovery factor than authorized by this order, it shall notify the Commission 10 days before using the lesser factor, and shall file a tariff sheet during that billing month showing the lesser factor applied.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscdockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of April 13, 2017.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	Case No. U-18144
INDIANA MICHIGAN POWER COMPANY)	
for approval of a Power Supply Cost Recovery)	
Plan and factors (2017).)	

SETTLEMENT AGREEMENT

For the purpose of settling the issues in this case only, and subject to the acceptance and approval of the Michigan Public Service Commission (Commission) without modification, and without prejudice to the pre-negotiation positions of the parties in these or any other proceeding, the parties agree and stipulate to the following terms and conditions contained in this Agreement.

On September 30, 2016, Indiana Michigan Power Company (I&M) filed an Application, supporting testimony and exhibits, with the Commission requesting authority to reflect in its monthly billings to its retail electric customers in Michigan power supply cost recovery (PSCR) factors commencing with the January 2017 billing month. I&M's 2017 PSCR plan filing proposed a maximum PSCR factor of 10.50 mills per kWh above the allowance for power supply costs in base rates of 23.77 mills per kWh at the sales level that was set in Case No. U-16801. I&M filed supplemental testimony on November 21, 2016.

As defined in 1982 PA 304, as amended, a PSCR factor is that element of the rates to be charged for electric service to reflect power supply costs incurred by an electric utility and made pursuant to a PSCR clause incorporated in the rates or rate schedules of an electric utility. Such a clause has been incorporated into I&M's rate schedules pursuant to Commission authorization in Case No. U-16801.

I&M gave notice of its request in this proceeding, prehearing conference, and intervention procedures by serving and publishing a notice of hearing in its Michigan service area. Proofs of service and affidavits of publication were filed with the Commission.

A prehearing conference was held on November 30, 2016 at the Commission offices in Lansing, Michigan, before Administrative Law Judge Mark D. Eyster. The Commission Staff (Staff) appeared. The Association of Businesses Advocating Tariff Equity (ABATE) intervened in the proceeding and also participated in the prehearing conference.

Encouraged by the Commission's Rules of Practice and Procedure (R 792.10431), I&M, ABATE, and Staff have resolved, through negotiations, the issues in this proceeding only as expressly set forth in this Settlement Agreement.

It is the opinion of the parties that this Settlement Agreement will promote the public interest, will aid the expeditious conclusion of this case, and will minimize the time and expense which would otherwise have to be devoted to this matter by the parties. This Settlement Agreement is not severable, and all provisions of the same are dependent upon all other provisions contained herein

In addition to the foregoing, the parties specifically stipulate and agree as follows:

1. The monthly PSCR factor of up to 10.50 mills per kWh, as calculated in Attachment A and incorporated in the tariff sheet in Attachment B, is, for these proceedings only, reasonable and prudent and should be approved by the Commission for the billing months of January 2017 through December 2017. The PSCR factor calculated in Attachment A and incorporated in the tariff sheet in Attachment B includes roll-in adjustments for the non-reconciled 2016 PSCR under-recovery of \$9,242,535, using the roll-in methodology first approved for I&M by the Commission in Case No. U-15004. The parties agree that the amount of non-reconciled

under-recovery as identified in this Settlement Agreement is based on forecasted information filed in this case and, therefore, may not be identical to the amount I&M will seek to reconcile in its 2016 PSCR reconciliation proceeding, and shall be subject to final review and Commission approval in Case No. U-17919-R.

2. As addressed in this PSCR Plan filing, consumables in the 2017 projected costs include sodium bicarbonate in conjunction with the dry sorbent injection equipment to reduce SO₂ emissions and activated carbon to reduce mercury emissions. The Plan filing does not anticipate any use of urea or any other chemical in 2017.

3. Included within this PSCR Plan is a continuation of I&M's Generation Hedging Policy, approved in I&M's 2016 PSCR Plan Case U-17919, to recover Generation Hedging costs through its PSCR Clause and factors. As described in Case U-17919, the Generation Hedging Policy provides additional flexibility when purchasing power from the PJM market during specified times as outlined in the Generation Hedging Plan. The Generation Hedging Plan also describes the associated costs for inclusion in the PSCR Clause. I&M has not forecasted any hedging activity or costs associated with this Generation Hedging Policy in the 2017 PSCR plan factors. To the extent a hedge is executed during 2017, I&M would include the associated costs in the 2017 PSCR reconciliation. It is the understanding of the parties that costs arising from transactions under the approved Generation Hedging Policy will be subject to review by the parties in PSCR reconciliation proceedings consistent with the review and Commission approval of all PSCR costs. This same hedging policy was approved by the Indiana Utility Regulatory Commission (IURC) in Cause No. 44696 on April 20, 2016.

4. The PSCR factors proposed in this Settlement Agreement for Commission approval shall be implemented with the first full billing month reasonably possible following the issuance of a Commission Order.

5. The decisions underlying the PSCR plan filed by I&M in this proceeding are, under the present conditions and circumstances, reasonable and prudent.

6. The five-year forecast filed by I&M meets statutory standards and should be accepted for filing by the Commission.

7. This Settlement Agreement is intended for final disposition of the expressly stated issues in this case only, and the parties join in respectfully requesting the Commission to grant approval of the same. The stipulations and agreements contained in this Settlement Agreement shall constitute the record needed to support the Commission order in this case as required under 1982 PA 304, as amended.

7. The parties believe that this Settlement Agreement is reasonable and in the public interest. Each party agrees not to appeal, challenge, or contest the rates approved by the Commission in these cases if they are the result of an order of the Commission in these proceedings accepting and approving the Settlement Agreement without modification. If the Commission does not accept this Settlement Agreement without modification, the Settlement Agreement shall be withdrawn and shall not constitute any part of the record in these proceedings or be used for any other purposes whatsoever.

8. This Settlement Agreement has been made for the sole and express purpose of reaching a compromise among the positions of the parties to these proceedings. All offers of settlement and discussions relating to this Settlement Agreement are and shall be privileged, and this Settlement Agreement and the Commission order approving this Agreement shall not be

used as precedent or in any other manner, and shall not be admissible, in connection with these proceedings or any other judicial or administrative proceeding for any purpose other than enforcing the agreement.

9. The parties to this Settlement Agreement specifically reserve the right in future proceedings to make other or different proposals regarding any issues involved herein. Further, this Settlement Agreement shall not limit the right of any party to raise any issue or other judicial or administrative proceedings.

10. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969, MCL 24.281.

INDIANA MICHIGAN POWER COMPANY

Dated: March 20, 2017

By: **Richard J. Aaron**
Richard J. Aaron (P35605)
Dykema Gossett PLLC
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Lansing, Michigan 48933
(517)374-9198

Digitally signed by: Richard J. Aaron
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MICHIGAN PUBLIC SERVICE
COMMISSION STAFF

Dated: March 20, 2017

By: **Spencer Sattler**
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Assistant Attorney General
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Indiana Michigan Power Company
Determination of the Michigan Jurisdiction
Power Supply Cost Recovery Factor
January 2017 - December 2017

<u>Line No.</u>	<u>Description</u>	<u>Twelve Month Totals</u>
1	Total Power Supply Costs (000's)	\$469,647
2	Net Energy Requirement (GWh)	24,235
3	Line 1 / Line 2	19.37 Mills/kWh
4	Line 3 * 1.046	20.26 Mills/kWh
5	Plus: PSCR Transmission Factor (See Exhibit DLH-2)	10.70 Mills/kWh
6	Less Current Power Supply Cost Base	23.77 Mills/kWh
7	Subtotal - Line 4 plus Line 5 less Line 6	7.19 Mills/kWh
8	Estimated 2016 Under-recovery of \$9,242,535/ 2,789,000,000 Est'd kWh 2017	3.31 Mills/kWh
9	PSCR Billing Factor for the Michigan Jurisdiction - Line 7 + Line 8	10.50 Mills/kWh

**M.P.S.C. 15 - ELECTRIC
INDIANA MICHIGAN POWER COMPANY
STATE OF MICHIGAN
(PSCR PLAN)**

**THIRTEENTH REVISED SHEET NO. D-110.00
CANCELS TWELFTH REVISED SHEET NO. D-110.00**

POWER SUPPLY COST RECOVERY FACTOR

(Continued from Sheet No. D-109.00)

Not more than 45 days following the last day of each billing month in which a power supply cost recovery factor has been applied to customers' bills, the Company shall file with the Commission a detailed statement for that month of the revenues recorded pursuant to the power supply cost recovery factor, the allowance for cost of power included in the base rates established in the latest Commission order for the Company, and the cost of power supply.

Not less than once a year and not later than 90 days after the end of the 12-month period covered by the Company's most recently authorized power supply cost recovery plan, a power supply cost reconciliation proceeding will be commenced to reconcile the revenues recorded pursuant to the power supply cost recovery factor and the allowance for cost of power included in the base rates as established by the Commission under the Company's most recent power supply cost recovery plan, among other things. The Company shall be required to refund to customers, or to credit to customers' bills any net amount, plus interest, determined to have been recovered which is in excess of the amounts properly expensed by the Company for power supply. The Company shall recover from customers any net amount, plus interest, by which the amount determined to have been recovered over the period covered was less than the amount determined to have been properly expensed by the Company for power supply.

Maximum allowable Power Supply Cost Recovery Factors approved by the Commission:

(1)	(2)	(3)	(4)
Billing Month	Total PSCR Costs (Mills/kWh)	PSCR Costs In Base Rates (Mills/kWh)	PSCR Factor Charge/(Credit) (Mills/kWh)
			(Col. 2 - Col. 3)
Jan. – Dec 2015	29.76	23.77	5.99
Jan. – Dec 2016	32.66	23.77	8.89
Jan. – Dec 2017	34.27	23.77	10.50

N

Should the Company apply a lesser factor than the above, or if the factor is later revised pursuant to Commission Orders or 1982 PA 304, the Company will notify the Commission if necessary and file a revision to the above list.

Actual Power Supply Cost Recovery factors billed pursuant to 1982 PA 304, Section 6j(9):

(1)	(2)	(3)	(4)
Billing Month	Total PSCR Costs (Mills/kWh)	PSCR Costs In Base Rates (Mills/kWh)	PSCR Factor Charge/(Credit) (Mills/kWh)
			(Col. 2 - Col. 3)
Jan. – Dec 2015	29.76	23.77	5.99
Jan. – Dec 2016	32.66	23.77	8.89
Jan. – Dec 2017	34.27	23.77	10.50

**ISSUED
BY PAUL CHODAK III
PRESIDENT
FORT WAYNE, INDIANA**

**EFFECTIVE FOR BILLS RENDERED
FOR THE 2017 PSCR PLAN YEAR**

**ISSUED UNDER AUTHORITY OF THE
MICHIGAN PUBLIC SERVICE COMMISSION
DATED
IN CASE NO. U-18144**